Internal Revenue Service

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Department of the Treasury
Washington, DC 20224

Third Party Communication: None
Date of Communication: Not Applicable

Person To Contact:
, ID No.

Telephone Number:

Refer Reply To:
CC:ITA:05
PLR-110880-25

Date:
November 25, 2025

LEGEND

Subsidiary	=
State	=
Parent	=
Date	=
Month 1	=
Month 2	=
Month 3	=
Month 4	=
Month 5	=
Month 6	=
Month 7	=
Month 8	=
Month 9	=
Month 10	=
Year 1	=
Year 2	=
Year 3	=
Accounting Firm	=
Consultant	=

Dear :

This letter responds to a letter dated May 1, 2025, from your authorized representatives requesting an extension of time under § 301.9100-3 of the Procedure and Administration Regulations (“P&A Regulations”) for Taxpayer to make a regulatory election. Specifically, Taxpayer has requested an extension of time to make an election under § 108(b)(5) of the Internal Revenue Code (“Code”) and § 1.108-4(b) of the

Income Tax Regulations ("Regulations"), to reduce tax attributes due to discharge of indebtedness income, effective for Taxpayer's Tax Year 1 federal income tax return.

FACTS

Taxpayer represents the below facts in its submission. Subsidiary was formed under the laws of State. It is wholly owned by Parent, a limited liability company also formed under the laws of State. Parent is classified as a domestic association taxable as a corporation and is the parent of a consolidated group that files a Form 1120, *U.S. Corporation Income Tax Return*. Subsidiary is a member of that group. Parent is a private holding company, and Subsidiary is the main operating subsidiary of Parent. Subsidiary, Parent and other subsidiaries operate hospitals and surgery centers. Together Parent, Subsidiary and the other subsidiaries will be collectively referred to as "Taxpayer".

Taxpayer files its federal income tax return reporting income on a calendar year and uses the accrual method of accounting.

Subsidiary was a publicly traded company until Date when it was acquired by Parent as part of a restructuring plan to emerge from bankruptcy. In Month 1, Subsidiary restructured its debt. Although the debt restructuring occurred in Month 1, it was not until Month 2 that it was determined that the restructuring resulted in a significant modification and cancellation of debt income ("CODI"). Furthermore, although there was a belief that Subsidiary may potentially have been insolvent, there was insufficient time to determine if that was, in fact, the case and to compute attribute reduction for each of its subsidiaries prior to the extension for filing the Taxpayer's Form 1120 for Year 1, which extended until October 15, Year 2.

With the due date for the Taxpayer's Year 1 Form 1120 approaching rapidly, the Taxpayer determined that the best course of action would be to file the return for Year 1 and include the CODI in taxable income, with the intention of amending that return later to make the election pursuant to § 108(b)(5) of the Code once Taxpayer had the opportunity to conduct a thorough review of relevant documentation in order to make a well-informed decision. At that time, there was no discussion of the timing for making the § 108(b)(5) election, but both the Taxpayer and Accounting Firm mistakenly believed that the election could be made on an amended return as long as the amended return was filed no later than 12 months from the extended due date for the original return (that is, it was believed by both that the election would still be considered timely made as long as the Taxpayer's Form 1120 was amended by October 15, Year 3).

After the return was filed, Subsidiary engaged Consultant in Month 3 to determine if attribute reduction was possible. Consultant completed its analysis in Month 4 at which time Subsidiary engaged Accounting Firm to assist with the calculations of stock basis and attribute reduction. Subsidiary aimed to complete these calculations in time to be included in the Year 2 tax provision in either Month 5 or Month 6.

In the course of conducting its Year 2 financial audit, Subsidiary determined that it needed to restate its Year 1 financial statements for reasons independent of the CODI matter. The restatement of the Year 1 financial statements also affected the attribute reduction analysis resulting in adjustments to taxable income that would have to be reflected on an amended Year 1 Form 1120. The audit of the Year 2 financial statements was completed in Month 6, and Accounting Firm then needed to update the attribute reduction analysis and adjustments to taxable income. This was not completed until Month 7. In Month 8, Accounting Firm prepared a Form 1120-X, *Amended U.S. Corporation Income Tax Return*. As previously noted, it was believed at that time that the § 108(b)(5) election could be made on a timely amended return as long as that return was filed within 12 months of the extended due date. Subsidiary's intention was to include Form 982, *Reduction of Tax Attributes Due to Discharge of Indebtedness (and Section 1082 Basis Adjustment*), with the amended return.

In Month 9 during the review of the Taxpayer's Form 1120-X and Form 982, specialists at Accounting Firm reviewed the instructions to Form 982. They noted the "When To File" language in the Form 982 instructions. Accounting Firm then realized that any automatic extension afforded to a taxpayer to file a § 108(b)(5) election ran for only the six-month period following the due date of the return, not taking into account any extension of time to file. The Accounting Firm specialists consulted internally with other tax professionals at that firm over whether there were other available options for late-election relief. As a result of those discussions, Accounting Firm determined that relief was available under § 301.9100-3 ("9100 Relief") at which time Accounting Firm was instructed to prepare and submit this private letter request for 9100 Relief. Taxpayer represents that it will file Taxpayer's Form 1120-X and Form 982 to make the § 108(b)(5) election should relief be granted in this private letter ruling.

On October 15, Year 2, Taxpayer timely filed, pursuant to an extension, its Form 1120 for Taxpayer's taxable year ending in Month 10. That return is not currently under examination by the Internal Revenue Service.

In separate affidavits, Taxpayer and Accounting Firm represent that Taxpayer had communicated its intention to make the § 108(b)(5) election to Accounting Firm but Taxpayer and Accounting Firm's specialists mistakenly believed that the § 108(b)(5) election could be made on an amended return as long as the amended return was accompanied by the Form 982 and filed no later than 12 months from the extended due date for the return (that is, it was believed that the § 108(b)(5)) election would still be timely made as long as the amended Form 1120 was timely filed and included the Form 982). That Accounting Firm was ultimately responsible for making the election, and Form 982 was inadvertently omitted by Accounting Firm from Taxpayer's Year 1 federal income tax return.

LAW AND ANALYSIS

Section 108(a)(1)(B) provides that gross income does not include any amount that would be includible in gross income by reason of the discharge of indebtedness if the discharge occurs while the taxpayer is insolvent.

Section 108(b)(1) provides, in general, that amounts excluded from gross income under § 108(a)(1) will be applied to reduce the tax attributes of the taxpayer as provided in § 108(b)(2).

Section 108(b)(5)(A) permits a taxpayer to elect to apply any portion of the reduction referred to in § 108(b)(1) to the reduction under § 1017 of the basis of the depreciable property of the taxpayer in lieu of applying the order specified in § 108(b)(2).

Section 108(b)(5)(B) limits the amount to which the election in § 108(b)(5)(A) applies to an amount not exceeding the aggregate adjusted basis of the depreciable property held by the taxpayer as of the beginning of the taxable year following the taxable year in which the discharge occurs.

Section 108(d)(9) provides that an election under § 108(b)(5) is made on the taxpayer's return for the taxable year in which the discharge of indebtedness occurs or at such time and manner as permitted in regulations prescribed by the Secretary.

Section 1.108-4(b) of the regulations provides, in part, that to make an election under § 108(b)(5), a taxpayer must complete and file Form 982 together with its timely filed (including extensions) federal income tax return for the taxable year in which the taxpayer has discharge of indebtedness income that is excludable under § 108(a).

Sections 301.9100-1 through 301.9100-3 provide the standards that the Service will use to determine whether to grant an extension of time to make a regulatory election. Section 301.9100-3(a) provides that requests for extensions of time for regulatory elections (other than automatic changes covered in § 301.9100-2) will be granted when the taxpayer provides evidence (including affidavits) to establish that the taxpayer acted reasonably and in good faith, and granting relief will not prejudice the interests of the Government.

Section 301.9100-3(b) provides that a taxpayer is deemed to have acted reasonably and in good faith if the taxpayer requests relief before the failure to make the regulatory election is discovered by the Internal Revenue Service, or reasonably relied on a qualified tax professional, and the tax professional failed to make, or advise the taxpayer to make, the election. However, a taxpayer will not be considered to have reasonably relied on a qualified tax professional if the taxpayer knew or should have known that the professional was not competent to render advice on the regulatory election or was not aware of all relevant facts.

Section 301.9100-3(b)(3) provides that a taxpayer is deemed to have not acted reasonably and in good faith if the taxpayer –

(i) seeks to alter a return position for which an accuracy-related penalty could be imposed under § 6662 at the time the taxpayer requests relief and the new position requires a regulatory election for which relief is requested;

(ii) was fully informed of the required election and related tax consequences, but chose not to file the election; or

(iii) uses hindsight in requesting relief. If specific facts have changed since the original deadline that make the election advantageous to a taxpayer, the Service will not ordinarily grant relief.

Section 301.9100-3(c)(1) provides that the Commissioner will grant a reasonable extension of time to make the regulatory election only when the interests of the Government will not be prejudiced by the granting of relief.

Section 301.9100-3(c)(1)(i) provides that the interests of the Government are prejudiced if granting relief would result in a taxpayer having a lower tax liability in the aggregate for all taxable years affected by the election than the taxpayer would have had if the election had been timely made (taking into account the time value of money).

Section 301.9100-3(c)(1)(ii) provides that the interest of the Government are ordinarily prejudiced if the taxable year in which the regulatory election should have been made or any taxable years that would have been affected by the election had it been timely made are closed by the period of limitations on assessment under § 6501(a) before the taxpayer's receipt of a ruling granting relief under this section. The IRS may condition a grant of relief on the taxpayer providing the IRS with a statement from an independent auditor certifying that the interests of the Government are not prejudiced under the standards set forth in § 301.9100-3(c)(i).

Under the facts and representations submitted by Taxpayer, we conclude that Taxpayer has acted reasonably and in good faith under §301.9100-3(b). In addition, we conclude that granting relief will not prejudice the interests of the government under § 301.9100-3(c).

CONCLUSION

Accordingly, based solely on the facts and information submitted and the representations made in the ruling request, we grant Taxpayer an extension of 45 days from the date of this letter to file an amended return to make an election under § 108(b)(5) and § 1.108-4(b) of the regulations by filing Form 982 for Year 1.

The ruling granted in this letter should not have any effect on amounts reported on Taxpayer's previously filed federal income tax returns.

CAVEATS

Except as expressly provided herein, no opinion is expressed or implied concerning the tax consequences of any aspect of any transaction or item discussed or referenced in this letter, including whether Taxpayer was, immediately prior to the discharge of its indebtedness, insolvent by an amount exceeding the amount of indebtedness discharged and whether Taxpayer properly excluded its income from discharge of indebtedness from its gross income pursuant to §108(a).

This ruling is directed only to the taxpayer requesting it. Section 6110(k)(3) provides that it may not be used or cited as precedent.

A copy of this letter must be attached to any income tax return to which it is relevant. Alternatively, taxpayers filing their returns electronically may satisfy this requirement by attaching a statement to their return that provides the date and control number of the letter ruling.

The rulings contained in this letter are based upon information and representations submitted by the Taxpayer and accompanied by a penalty of perjury statement executed by an appropriate party. While this office has not verified any of the material submitted in support of the request for rulings, it is subject to verification on examination.

In accordance with the Power of Attorney on file with this office, a copy of this letter is being sent to your authorized representatives.

Sincerely,

Kyle C. Griffin
Senior Counsel, Branch 5
Office of Associate Chief Counsel
(Income Tax & Accounting)

cc: